Inflation rate in the country

1165. DR. V. MAITREYAN: Will the Minister of FINANCE be pleased to state:

(a) what is the total level of inflation during the current financial year;

(b) what are the major factors which are responsible for high rate of inflation;

(c) what steps are being taken to control the inflationary trend in the country; and

(d) what are the main impacts of the inflation of the common man?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The cumulative inflation in terms of WPI (since 1st week of April, 2007 to February 23, 2008) was 4.33 per cent during the current financial year 2007-08, which is lower than 5.98 per cent as on 24 February, 2007 in the last financial year 2006-07.

(c) and (d) Containment of inflation remains high on the agenda of the Government. Anti-inflationary policies of the government include strict fiscal discipline, rationalization of duties of essential items, effective supply-demand management of essential commodities through liberal tariff and trade policies, and strengthening the public distribution system. The Monetary policy of Reserve Bank of India, while being conductive to economic growth, has attempted to contain inflationary expectations arising out of uncertainties in domestic and international environment.

Dr. K.G. Karmakar Committee

1166. SHRI MOINUL HASSAN: Will the Minister of FINANCE be pleased to state:

(a) the recommendations of Dr. K.G. Karmakar Committee which has been approved by Reserve Bank of India; and

(b) whether Government issued specific order on the approved part of the recommendation and the views of All India Regional Rural Bank Employees Association thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The recommendations of Dr. K.G. Karmakar Committee which have been approved by the Reserve Bank of India and the action taken on them are given in the Statement. (*see* below).

(b) Reserve Bank of India (RBI) *vide* letter dated 11th September, 2006 set up a Task Force to deliberate on empowering Regional Rural Banks (RRBs) Boards for operational efficiency under the Chairmanship of Dr. K.G. Karmakar, Managing Director, National Bank for Agriculture and Rural Development (NABARD). The recommendations approved by RBI and required to be implemented by RRBs were communicated by them (RBI) to the Chairmen & Managing Directors of the sponsor banks *vide* their letter dated 30.7.2007. The Government has not issued any specific orders on these recommendations.

Statement

Task Force on Empowering RRB Board for Operational Efficiency Action Taken Report

Para No.	Recommendation	Action Taken
1	2	3
1.	Out of 605 districts, RRBs have been able to cover 525 districts. The feasibility of covering the uncovered districts may be explored.	Accepted. Sponsor banks advised to initiate action *vide* letter dated July 30, 2007.
2.	RRBs to consider providing a range of products for all financial needs and focus on financial inclusion through progressive use of technologies and low cost alternative delivery channels like BCs and BFs.	As at para 1 above.
3.	The relationship between sponsor banks and RRBs needs to be changed into a synergistic one, beneficial to both banks. An MoU be executed between the sponsor banks and the Govt. of India with regard to the performance of the RRBs under various key parameters. Sponsor banks may, as usual, sign MoUs with their sponsored RRBs.	As at para 1 above.
4.	RRB Chairman be given due weightage for promotion to the next higher grade in the parent institution as and when they are eligible. They pay, allowances and incentives should be attractive so as to encourage performance.	As at para 1 above.
5.	Majority of non-official directors on the Boards of RRBs need to be adequately oriented towards the functions of RRBs and their responsibilities as nominee Directors.	Accepted. College of Agricultural Banking, Pune has been advised to devise suitable programmes for non-official directors.
6.	The role of sponsor bank should be supportive and broadly confined only to extending management support, nominating members in the Board of Directors, providing funds, providing expert guidance/ help in investment related issues, conducting management audit till alternative arrangements are made by the RRBs themselves and assisting RRBs in all HR matters referred to them by the RRBs.	Accepted. Instructions have already been issued to sponsor banks to guide RRBs in various areas.

7.	SARFAESI Act may also be extended to RRBs.	Accepted. Notification has already been issued by GOI in this regard.
8.	Chairmen of RRBs, should be appointed as members of the Empowered Committee (EC) constituted by RBI.	Accepted. Circular issued to Regional Offices.
9.	Once the process of amalgamation is over, the RRBs be subjected to the same level of safeguards and regulatory norms regarding capital adequacy as applicable to commercial banks.	RRBs have been advised to disclose their capital adequacy in their balance sheets with effect from March 2008. Based on this, a road map will be drawn to achieve the norms as may be stipulated.
10.	RRBs should develop their own internal capacities including setting up of separate investment cells, risk evaluation system, positioning of trained personnel, etc. Till such time they are able to nurture adequate expertise within the institution, RRBs could taken the help of sponsor banks, primary dealers and mutual funds.	As at para 1 above.
11.	RRBs may be allowed to deal in NRE/FCNRB, etc. in consortium with sponsor bank. Besides, RRBs should be given freedom to place their money in term deposits with any bank.	Accepted. Suitable instructions have been issued to RRBs.
12.	RRBs may focus on enhancing incomes from other sources by way of Issue of bank guarantees. RRBs in consortium with sponsor bank may enter into remittance services not only within the district/ state but also across the country and in some cases to foreign countries.	As at para 1 above.
13.	While 60% of the advances may be earmarked for the priority sector with a sub-limit of 40% for agriculture and agro processing, the banks may lend 40% for other commercial purposes. With the help of refinance the banks can increase the CD ratio to 80% in two years.	As at para 1 above.
14.	The RRBs may be encouraged to play a credit-led leadership role by providing credit across the supply chain including storage, processing, transportation, marketing and retailing that can result in overall advantage for all participants in the rural sector.	As at para 1 above.

15.	RRBs may join in consortium finance arrangements on pari passu basis with public sector banks/DFIs.	Accepted. Circular issued to RRBs.
16.	The bank may arrange technical and commercial extension services with the help of professional agencies and technology platforms.	As at para 1 above.
17.	RRBs need to build up rural banking skills and recognise acceptable banking risks so as to mitigate them in lending decisions.	As at para 1 above.
18.	Matters relating to categorisation of branches, staffing norms and promotion policies and other HR matters may be studied in depth by a Committee/Task Force set up for the purpose by RBI/GOI.	Accepted. A Committee was set up by GOI to look into HR and staffing norms of RRBs.
	(i) Where banks have introduced a four-tier structure, they may revert back to the three-tier structure of Head Office-Controlling Office-Branches	(i) This has been examined by the committee.
	(ii) The delegation of powers should be such that about 75% of the sanctions are made at the branch level and upto 95% at controlling office level	(ii) As at para 1 above.
19.	Human Resources Management:	GOI had set up a committee to look into HR and staffing norms of RRBs. Its report has since been submitted.
20.	RRBs may set up a computerised data processing system.	As at para 1 above.
21.	RRBs need to take up computerisation of major areas of operations, MIS in branches, controlling offices and HO in the next 3 years by adopting an Action Plan.	Accepted. Reserve Bank has set up a Working Group for technology upgradation of RRBs.
22.	Though the K.P. Agarwal Committee had recommended the computerisation of 50% of branches by 31 March 2007, progress has not been satisfactory. The lack of uniformity in the software is another major issue to be resolved as they move along the path towards greater consolidation.	Same as at para 21 above.
23.	Recommendations for RRs in North Eastern Region.	Accepted. Empowered Committee action.